GOPAL SNACKS LIMITED
(Formerly known as Gopal Snacks Private Limited)

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BSE Limited
Department of Corporate Services,
Pheroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400001

Script code: 544140

National Stock Exchange Limited
Exchange Plaza, 5th Floor,
Plot No. C/1, G Block,
Bandra-Kurla Complex,
Mumbai – 400051

Symbol: GOPAL

Sub: Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 –Transcript of Earning Conference Call – Q3 UFR FY25

Dear Sir / Madam,

In continuation of our letter dated 06.02.2025 for Analyst / Investor Earning Conference Call and in pursuant to Regulation 30 and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time, enclosed herewith the transcript of the Earning Conference Call with the Investors and Analysts held on Wednesday 12th February at 03.30 PM (IST) to discuss the operations and financial performance for the quarter and nine months ended on 31st December 2024.

The transcript of the Earning Conference Call will be available on the website of the Company at: www.gopalnamkeen.com

Kindly acknowledge and take on your record. Thanking You.

Yours Faithfully,
For, GOPAL SNACKS LIMITED

Gangani Mayur Popatbhai

Digitally signed by Gangani Mayur Popatbhai
Date: 2025.02.17 20:31:30 +05'30'

CS Mayur Gangani
Company Secretary and Compliance officer
Membership No. F9980

Encls: a/a

“Gopal Snacks Limited
Q3 FY25 Earnings Conference Call”

February 12, 2025

MANAGEMENT:	**MR. BIPINBHAI HADVANI - CHAIRMAN & MANAGEMENT DIRECTOR** **MR. NAVEEN GUPTA - CHIEF BUSINESS OFFICER** **MR. YASH RAJPARA - AGM FINANCE**
MODERATORS:	**MR. NITIN GUPTA FROM EMKAY GLOBAL FINANCIAL SERVICES**

Moderator: Ladies and gentlemen, good day and welcome to Gopal Snacks Limited Conference Call hosted by Emkay Global Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Nitin Gupta from Emkay Global Financial Services. Thank you and over to you, Mr. Gupta.

Nitin Gupta: Good afternoon, everyone. I would like to welcome the Management and thank them for this opportunity. We have with us today Bipin Hadvani – Chairman & Management Director; Naveen Gupta, Chief Business Officer and Yash Rajpara, AGM Finance. I shall now hand over the call to the management for the opening remarks. Over to the management.

Bipin Hadvani: Namaskar. Welcome everyone to the Earnings Call of Q3 FY25. I will give you a brief Presentation on the Quarterly Performance of the Company:

As we reflect on Q3 FY2025, it is evident that this has been a quarter of several challenges, decisive action, and resilient progress for Gopal Snacks. On December 11, 2024, a significant fire incident occurred at our Rajkot I manufacturing facility, halting operations at one of our main units. While there were no casualties or injuries, the event temporarily disrupted production and imposed significant challenges on our operations. However, prioritizing safety and continuity, we swiftly implemented measures to stabilize operations.. Within days, we scaled up production at our Modasa and Nagpur facilities to offset the loss of capacity. Simultaneously, we collaborated with third-party manufacturers to ensure uninterrupted supply of our products to the market. These actions allowed us to restore ~50% of supply levels within the first two weeks post-incident and we have been able to restore ~75% of supplies by end of Jan-25.. To further reinforce our operational stability, we commissioned a manufacturing facility in Gondal, Rajkot on back of strong backward integration. The Gondal plant has already commenced commercial production of key products of Gathiya and Namkeen segments - which are integral to our product portfolio. This unit will not only restore lost capacity but also strengthening our long-term production capabilities. And this is why we have 75% supply restored by the end of 25th December 2024.

In addition to the operational disruptions, the increased cost of key raw materials, such as palm oil, further compounded the pressure on margins. Despite these challenges, our unwavering focus on innovation and market growth remained steadfast. Our unaffected product segments continued to demonstrate remarkable resilience, with the Wafers segment registering an impressive YoY growth of 48% during Q3 FY25. Focus Markets and Other States also reported robust YoY growth of 19.7% and 48.3%, respectively, during the same period. This growth was primarily driven by strategic expansion efforts and the addition of 207 new distributors in the past nine months. These achievements underscore the strength of our product portfolio, distribution network, and market strategies. The challenges of Q3 FY2025 have reaffirmed our belief in the importance of resilience, adaptability, and long-term vision. Our immediate priorities include scaling operations at the Gondal facility, phasing out third-party manufacturing and to fully restore the affected supplies by the end of this fiscal year. While the quarter underscored the unpredictable nature of external challenges, it also highlighted the strength of our strategic vision and operational framework. Our long-term goals remain unchanged: to enhance market leadership, deliver innovative and high-quality products, and generate sustainable value for all stakeholders. I thank all the employees and the investors for their patience and support. Thank you.

Yash Rajpara: Thank you, Mr. Bipin sir. Good afternoon, everyone. My name is Yash Rajpara. So, let me begin with the sharing Key Financial Highlights of the Quarter and Nine Months ended on December 31, 2024.

Let us take up Key Financials for Q3 FY25 first.

During the quarter, we achieved revenue from operations of Rs. 393.6 crores, marking the year-on-year growth of 7.12%. This growth was driven by product innovation, focused channel engagement and expansion in distribution network as well as imparting essential training to our dealers and feet on the street.

Our gross profit for the quarter stood at Rs. 84.2 crores, representing a gross profit margin of 21.4% against 26.3% last year. Our margins during the period were impacted by several factors starting with rising key raw material pricing, which added a significant pressure on our margins. Key raw materials such as palm oil, potato, and chana witnessed sharp price increases on a year-on-year basis and that has substantially impacted our cost structure. In response to that, we have undertaken multiple initiatives, like downward revision in grammage in our Rs. 5 and Rs. 10 SKUs for Gathiya and Namkeen products, as well as upward revision in selling price in some of our larger packs. Margin pressure was also observed as a result of third-party tie ups to resume our production and supplies, consequently to the incident of fire. However, this pressure is both marginal and temporary.

Our EBITDA for Q3 stood at Rs. 15.5 crores with an EBITDA margin of 3.9% against 9.6% from last year. In addition to the decline in GP being the main reason, the decline is also attributable to an increase in employee benefit expenses as well as advertisement and promotional costs. Our profit after tax stood at Rs. 5.3 crores with a PAT margin of 1.5%.

Now coming to “YTD Performance” for nine months of FY25:

We reported revenue from operations of Rs.1,150.5 crores with a year-on-year growth of 10.2%. Gross profit stood at Rs. 303.6 crores with gross margin of 26.4% as against 28.7%. Gross profit has remained in line with last year. EBITDA stood at Rs. 103.2 crores with EBITDA margin of 9% compared to 12.4% last year.

We would like to reassure you that the underlying business fundamentals of Gopal Snacks remain strong and we are well positioned for a steady recovery. Our focus remains on optimizing operational efficiency, enhancing profitability and delivering value to all our stakeholders.

With this, I would like to request Naveen sir to provide operational highlights for the quarter gone by.

Naveen Gupta: Good afternoon, everyone. Thank you for joining. During the quarter, we demonstrated resilience and adaptability, overcoming significant challenges to deliver a strong performance. Talking about statewide performance, our focus states achieved a healthy growth of 19.7%, showcasing the success of our expanded distribution network and market-specific strategies. Other states continued to exhibit stellar performance with a significant growth of 48.3% driven by our targeted effort to tap into new regions and expand our geographical presence. These results underscore the success of our ongoing initiative to strengthen our footprint across underpenetrated markets. Our strategy focused on key segments yielded remarkable results this year. The wafer category witnessed a substantial growth of 48% driven by continuous product innovation, enhanced trade campaigns, and improved channel engagement. We remain committed to establishing a leading position in this category by introducing region-specific products and flavors tailored to our consumer preferences.

Additionally, we are intensifying efforts to strengthen the Gathiya and Namkeen segments, which despite the fire incident remain integral to our portfolio. A key driver of our success remains our expanding distribution network, which has grown to 874 distributors, adding 207 new partners in the past nine months. This expansion has played a crucial role in strengthening our market presence, driving revenue growth and increasing our share across key regions. Furthermore, commercial operations have started at our new manufacturing facility in Gondal. This facility is a pivotal step in reaffirming our commitment to operational excellence and supply chain resilience. The new plant is expected to operate at 100% capacity by the end of this fiscal year significantly enhancing our production capabilities and enabling a faster phase out of third party manufacturing.

During the quarter, we laid the groundwork for additional branding and marketing initiatives which are set to launch in the upcoming quarter. These efforts aim to enhance brand visibility and strengthen market penetration, ensuring sustained growth and consumer engagement. Our long-term strategy focuses on expanding market presence, enhancing operational efficiencies, and fostering innovation across our product lines with a strong distribution network supported by rapid deliveries through own logistics vehicles, increased capacity utilization, and a diversified product portfolio. We are well positioned to capitalize on emerging opportunities. We remain committed to driving sustainable growth, optimizing profitability, and delivering long-term value to our stakeholders.

This is all from my end. I now request the attendees to come up with their questions. Thank you.

Moderator: Thank you very much, sir. We will now begin with the question and answer session.

The first question is from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.

Manish Ostwal: Yes sir, thank you for the opportunity and it's really a tough quarter for the Company but you performed with resilience so that's good to see. So, the first question on the margin movement during the quarter, so we have seen almost 756 basis point of dip in the gross margin and the reason is one is the RM inflation, the second is maybe third-party procurement, slightly higher cost compared to what we were manufacturing inside. So, first is what is the component of these two factors in terms of contribution of margin decline and second is when do you see your margin going back to the Q2 level in near term, is there any possibility? You can make comments on that also.

Yash Rajpara: Thank you for the question. Major reason is attributable to RM pricing only. As you know, the third-party manufacturing was just after the fire. So, it is in the last few days of the quarter. Its contribution to the declining GP is very minimal, not even say half percent of the quarter. Majorly decline in gross margin is on account of incremental palm oil and other commodity pricing such as potato.

Naveen Gupta: Let me answer this question. The margin pressures, what indications we are getting, and the current quarter also continues to be challenging. And we see chana and potato prices significantly softening. And as far as edible oil prices are concerned, it's very difficult to predict although, future prices quotes are comparatively lower. We see that in Q1 there will be marginal improvement in margins, but Q2 will be back on track because of three reasons. One, RM prices will stabilize. Two, whatever actions we are taking for short term or mid-term, whether it is corrections in grammage or increasing MRP or whatever the ways are to pass on inflation impacts to the consumer. Plus the third thing is by that time our dependency on third party will be reduced or it will become zero. Third party operations may not have impacted on our margins beyond 1% but there is a disruption in the supply chain, which impacts our transportation cost as well. That additional transportation costs will also become zero. And we have clear timelines laid that our Modasa operations will start from the first week of July itself to cater to a larger product basket. So, that also saves us a substantial amount in terms of transportation costs, even inward and outward both kinds of transportation costs as the labor costs. So, margins are expected to come back on track from Q2.

Manish Ostwal: So, Q4 margin will be very similar to Q3. Am I right sir?

Naveen Gupta: Yes.

Manish Ostwal: Okay. The second question on the ad spend for, so can you indicate the total spend we have done for nine months in the Q3 on ad spend? Because we are expanding the distribution network in the focus market so that also increase the ad spend. So, how much we have incurred for nine months and Q3?

Yash Rajpara: So, by December 31st, 2024, we have incurred advertisement and sales promotion expenditure to the tune of Rs. 7.25 crores which then translates to less than 1% of the revenue from operation.

Manish Ostwal: And lastly sir to judge the concentration risk of our production operation, so in terms of our plant wise concentration of sales like Rajkot, Nagpur, Modasa and Gondal, can you briefly give the indicative contribution of these facilities to our sales?

Naveen Gupta: So, let's take a ballpark figure of Rs. 100 crores what we did in the month of December. Rs. 40 crores came from Nagpur plant and Rs. 25 crores came from Modasa plant and the rest Rs. 35 crores came largely from the third party. So, third parties are now gradually getting shifted to our Gondal facility.

Moderator: Thank you. We will take the next question from the line of Pawan from Geojit PMS. Please go ahead.

Pawan: Hi sir, tough times, but I think sir, despite the issue, we have got 7% revenue growth. That is pretty good, in my opinion. My only question is that earlier quarter also we had spoken about increase in large size pack. And I think the trend is showing towards increasing contribution from large size pack. So, in this quarter Rs. 10 and above is about 23.5% of our revenue Anything that you can highlight what are the good things you have done here what is working and how do you want to take this ahead going forward?

Naveen Gupta: So, Pawan bhai, post-fire incident there was massive trouble for us to produce larger packs. Our key focus and even when we go for our dependence on third party, all the other parties had the facility to pack the smaller pack but did not have the facility to pack the larger packs. So, it remained under pressure, and it will continue to remain under pressure in the current quarter as well. Now, you can see from last week onwards, our complete focus is now how to ensure that we get larger pack supplies because we don't wish to lose market share of those consumers where our pack goes inside the house. Having said that, we have unveiled a product basket of 27 items which are standby pouches which were not earlier in our portfolio. We have already commenced production of Standy Pouches from Nagpur 10 days back. We have got a tremendous response for our Standy Pouches. We are currently running out of stock on a daily basis from our Nagpur plant for these Standy Pouches. Going forward, as we had mentioned that we are going to improve our footprint in modern trade and e-commerce platforms, so these larger pouches will help us in two ways. One is definitely improving revenues and profitability. Second, it enhances brand imagery. So, we are going to launch these 27 Sandy Pouches in Gujarat as well in next 15 days. Large pack contribution will definitely improve. That is one of our strategy, and that how to improve our product mix from profitability perspective as well. Because these Standy pouches give us better margin as compared to our smaller pack.

Pawan: Okay, and sir, any one-off cost in this quarter so far because of fire, you highlighted travel related thing. Apart from that, any one-off cost in this quarter?

Naveen Gupta: No, there is nothing.

Pawan: Okay. And sir, lastly, given that, whatever we were targeting revenue before this fire incident happened, now given that in the next financial year, only Q1 is supposed to be a soft quarter, largely our estimates target for FY26 and FY27 should be broadly the same, if I'm not wrong. Is that correct?

Naveen Gupta: Yes. First month onwards itself, everything will be 100% back up.

Moderator: Thank you. We will take the next question from the line of Resha Mehta from Greenedge Wealth. Please go ahead.

Resha Mehta: Yes, thank you. It is very unfortunate that the incident happened while we were on a very good growth momentum. But now the question is, one is from a very short-term perspective, that while you all have not quantified the loss estimates, but do we have any number on that or what can be the one-off costs that we may see because then that will be an ugly margin surprise sometime soon. Any numbers there and also on the insurance bit, what's the kind of insurance cover that we have and the status on the claim and the timelines?

Yash Rajpara: Thank you. See, from the insurance perspective, we still believe that it is still little premature to comment on the exact quantum of loss to be proved, because the present survey and loss assessment activities is underway. In addition to that, an e-auction for the scrap restructuring is going on. But we are expecting better clarity in this Q4 regarding the exact amount of loss to be quantified and to be accounted for. And we have an insurance cover of Rs. 174 crores for this facility. To be very precise.

Resha Mehta: And sir, what was the invested amount to actually build this plant? What kind of Capex had we incurred to build this plant?

Yash Rajpara: So, over a period of time, the aggregate gross block of the same was near to Rs. 75 crores to Rs. 80 crores.

Resha Mehta: Okay, and by when do we expect this affected plan to fully come on stream and how much Capex will be incurring to get it fully functional just like before?

Naveen Gupta: No, let me give you ample clarity. We don't intend to make this affected plan fully operational. We have a stepwise plan ready with us. What we are going to do, right now our Gondal thing is a makeshift arrangement. From 1st of July our Modasa will start, Modasa will become operational for 100% of our product basket. Once that product basket stabilizes, what we are going to do, for our Fryums category which are lighter in nature, we will start our production in our existing papad unit on a floor. So, we will have roughly 10% contribution coming from Rajkot in future for Gujarat and 90% contribution will come from Modasa plant itself. We don't intend to restart this affected plant.

Resha Mehta: Okay, understood and this you're saying will be by 1st of July this Modasa plant will be completely operational, right?

Naveen Gupta: Let me further give you time line. By 30th of April our civil work will be completed. We will have two months in our hands to do machinery installation in our Modasa plant. So, after that, you know with each passing day we will keep adding one product. So, it will take roughly one and a half month by 15th of August, 100% of our product basket will get manufactured at Modasa.

Resha Mehta: Okay. So, by 15th August, we are expecting full restoration of our production facilities, which was pre-fire? Is that understanding right with zero third-party sourcing?

Naveen Gupta: Correct. Third-party sourcing will come to an end much before that because we have our Gondal plant to back up our interim operation.

Resha Mehta: Alright, so when do we expect third party sourcing to end?

Naveen Gupta: Next, couple of months.

Resha Mehta: Okay. And while you talked about the margins, but when you say we will go back to normalize margins by Q2, so what is it that an EBITDA level that we would be targeting?

Yash Rajpara: In Q2, we are assuming that edible oil prices will stabilize and rather decline by at least 5% to 10%. Then our EBITDA margin will be to the tune of 10% to 11% in Q2.

Moderator: Thank you. We will take the next question from the line of Nitin Gupta from Emkay Global Financial Services. Please go ahead.

Nitin Gupta: Thank you. Naveenji, just wanted to check, like, what is the quantum of price hike we have affected so far and the quantum of price hike we are looking to effect in Q4?

Naveen Gupta: In Q4 on the larger packs, we took a price hike of 12% to 13% on a weighted average basis. And on smaller packs, like Rs. 5 packs, we reduced the grammage from 25 to 22 grams. But this reduction did not start in the first week of Q3. First, we did 25g to 24g in second week of October and then 24g to 22g we made it in last week of November.

Nitin Gupta: Okay, sir, thank you. And I just wanted to check, like in terms of disruption in production, so how have our products been available across the market? So, do you see any drop in outlet coverage and distributor churn post fire? There is a minor drop in distributor count in states like Gujarat, Uttar Pradesh, and Rajasthan. Just wanted to get some clarity on this.

Naveen Gupta: On December 23, we had 275 distributors in Gujarat and December 24, we had 290. And January 25, we had a count of 287 distributors in Gujarat. Largely, our impacted states, Gujarat, Rajasthan and parts of MP, which we were catering from Rajkot, there is no decline in Maharashtra. There is no decline in Uttar Pradesh. There is no decline in Madhya Pradesh. There is no decline in Rajasthan Q3 versus Q3. But yes, In January, Rajasthan had dip in certain number of distributors because of poor supplies. And other states did not have any drop assets. As on date 31st January, we had 878 active distributors. Last year, December, it was 638. Only one distributor left us in Gujarat.

Nitin Gupta: Sure, and lastly, if you can help us understand about the Capex outlay for Gondal and Modasa?

Yash Rajpara: So, Nitin bhai, expected Capex for Gondal and Modasa is likely to be around say Rs. 50 crores to Rs. 60 crores, all including plant and machinery as well as civil structure which is under construction.

Naveen Gupta: Let us understand in a way because in Gondal our civil was already ready and we just installed our machinery. Once our civil is ready in Modasa, we will shift majority of those machines to Modasa.

Moderator: Thank you. We will take the next question from the line of Manish Ostwal from Nirmal Bang Securities Private Limited. Please go ahead.

Manish Ostwal: Yes, sir. I have only one question with respect to revenue target for F26 and FY27. What is the target for these two years?

Naveen Gupta: This financial year we will be closing at roughly Rs. 1,500 crores. So, we will deliver Rs. 1,800 crores in next financial year and we earmarked a minimum growth rate of 20% for the subsequent financial year as well.

Moderator: Thank you. The next question is from the line of Naitik from NV Alpha Fund. Please go ahead.

Naitik: Hi sir, thanks for taking the question. So, my first question is, if you could give us some sense on what sort of margins we make in our Wafer segment. Is it above the Company level margins or below because we're seeing rapid growth in that segment. So, just wanted to know what sort of margins we make in wafer segment?

Naveen Gupta: So, Naitik, apologies for delay. If we talk about the potato wafers, the Q3 margins were in the terms of 18% to 20%, but on annualized basis, the same shall be considered to be somewhere between 30% to 33% due to expected fresh and cheaper potato crops.

Naitik: Right. And in terms of EBITDA also, they are sort of at Company level or above Company level?

Naveen Gupta: In wafers, as a category, the annualized basis gross margin will be 30% to 33% and at the annualized basis, it will be 28% to 29%.

Naitik: My second question is, it's quite heartening to see your growth aspirations of 70% and above. But my question is, Snack Pellets and Namkeen have sort of not seen growth, even if I exclude the last quarter which was affected by fire, even before that, they are sort of been flattish and not grown. And these two are big categories for us. So, can we expect these two categories to start contributing in terms of growth going forward?

Yash Rajpara: Definitely. I will try to give you a split of October, November versus December. So, October-November values were Rs. 279 crores. Going by that run rate, we would have delivered Rs. 135 crores - Rs. 140 crores in the month of December itself. So, Snack Pellet are a major contributor in Gujarat state. So, if going forward, we are going to do lot of product innovation as well in Snack Pellet category. Our only new introduced product in Snack pellet was Pizza Pasta and it was an instant hit. So, we have three more products in our kitty and we will be supporting couple of our products through consumer promotion of like toys etc. to come back at our regular packs in Snack pellet category. As far as Namkeens are concerned, we have multiple plans how to bring back Namkeen's run rate. One definitely will be our marketing endeavor, because we are heavily dependent on Gujarat for our Namkeen revenue. Second, from outside Gujarat, we introduced these Standy pouches, which are, I mean, we launched it 10 days back in Nagpur, and feedback is very good. Whatever stocks we are producing every day, every day it's getting sold out 100%. So, Namkeens will also start growing.

Naitik: Right sir, got it. Sir, one more question I have is, the advertising spend that you mentioned, the voice wasn't very clear. So, you could just repeat how much we have spent in the nine months?

Naveen Gupta: It was Rs. 7.24 crores.

Naitik: And so, my last question is, are we going to appoint or are we looking for a new CFO or any updates on that front?

Naveen Gupta: So, Naitik, our talent acquisition team is already actively engaged with the potential candidates and as soon as the Company will find suitable candidate, the one will be on boarded.

Moderator: Thank you. The next question is from the line of Disha Giria from Ashika Institutional Equity. Please go ahead.

Disha Giria: Hi. Good afternoon. Sir, you mentioned in your commentary that you do not intend to restart the affected plant fully. So, I mean, could you just explain on that once?

Naveen Gupta: Yes, that's very simple. To dismantle that building and remake that building is going to take more time. That building, that whole asset is already under insurance Company preview. So, we don't wish to lose our revenue. Secondly, Modasa as a location is more strategic versus Rajkot, which helps us to save roughly Rs. 10 crores to Rs. 12 crore on annualized basis, going to inward freight cost as well as outward freight cost. So, it's more sensible for us to relocate to Modasa for our larger dependency of product basket.

Disha Giria: Okay, and the second question is that earlier in one of the analyst's questions, you had mentioned that the large pack contribution will improve with the launch of the new pack that you have. My query is regarding the small packs. So, considering the inflation and how they do not contribute that much to the margin, are you planning on discontinuing the Rs. 5 - Rs. 10 or any of these price point packs?

Naveen Gupta: No, not at all. Rs. 5 products are our bread and butter and we don't intend to discontinue with our Rs. 5 price point product. There will always be a couple of scopes. One is further grammage reduction. Second could be reducing retailer's marketing. If you remember during COVID times palm oil prices has spurted to in dollar terms all time at 25 years all time high and in INR terms it has gone up to Rs. 165 per litre. At that point of time, majority of companies restructured the retailer margin and price to retailer was coming to Rs. 4.50 which is currently Rs. 4.25. So, in case it further goes up, so the entire industry will reduce the retailer margin and reduce the grammage. So, the one portion can be passed to the consumer, another portion of inflation can be passed to the retailer.

Moderator: Thank you. The next question is from the line of Bhumin Shah from Sameeksha Capital. Please go ahead.

Bhumin Shah: Good afternoon. So, are you planning any price action or grammage reduction in Q4? That is the first question. And second is, if we look at the potato chips sale on quarter-on-quarter basis, packs growth is only 2% whereas price growth is 7%. So, are we selling the larger packs or how the shift is happening over that just wanted to understand this?

Naveen Gupta: Bhumin bhai we are not intending, as on date we are not intending any further grammage reduction in Q4 at least because there is competition landscape as well and coming to this potato thing, earlier we were selling our wafers roughly 15% to 20% cheaper trade price versus the leader brand. So, we have reduced that gap now by 7% - 8%.

Disha Giria: Okay and the last question is that let the Rajkot was X percent capacity before the fire incident. So, will it be covered by Modasa going forward or Modasa will have a larger capacity as compared to the pre-fire Rajkot facility?

Naveen Gupta: Yes, Modasa will have a larger capacity.

Disha Giria: So, will it be 10% - 20%, if you can give us the number? How much bigger will the modasa plant be compared to Rajkot?

Naveen Gupta: Roughly 20% - 25% more capacity versus the affected plant.

Moderator: Thank you. We will take the next question from the line of Pulkit Singhal from Dalmus Capital Management. Please go ahead.

Pulkit Singhal: Thank you for the opportunity and very unfortunate state of events, but it's good to see that we are trying to catch up and come back fast enough to our original plan. Just my one question I mean, in the process of going through this entire journey, I mean, you, you're having to reimagine your own manufacturing footprint, logistics, maybe even product packaging and sizes. So, are the good things that are coming out in this whole reimagination process which kind of bring in more efficiencies into the way you now conduct business going ahead? What are those areas that you may have identified from efficiencies as well as from new product areas targeting which gives you more revenue? So, just trying to understand that.

Naveen Gupta: There are a couple of things, Pulkit, which we realized. One is when we were running short of our key products, so we tried to drive our entire sales team as well, dealer fraternity, to start focusing on whatever was available with us. So, at least the distribution team is more geared now to sell a better range of products. And as far as efficiencies are concerned, whatever small inefficiencies were there in the affected plant, because this plant was always made over a number of years. So, those are identified. So, definitely when we put a new plant, so those things are taken care of.

Pulkit Singhal: Right. Are you able to quantify in terms of eventually, I mean, initially, this business was a 11% - 12% margin kind of business. And even there you had certain capacity utilizations were low, etc. But if you think of it two-three years out, the new plants, the reduced logistics cost, etc. I mean, how much more margins can be envisaged? I mean, are you able to quantify the efficiency?

Naveen Gupta: We got a cost sheet made from our cost accountant and that is why I mentioned the precise number that by putting up, we had a lot of diligence internally and we had a lot of debate and discussion, first basis our guts and then finally we got into actions. We said okay make cost sheet. So, it has come out of cost sheet that why we should move our manufacturing to Modasa because it gives us an annualized saving of Rs. 10 crores to Rs. 12 crores.

Moderator: Thank you. We will take the next question from the line of Nikunj Mehta from Magma Ventures. Please go ahead.

Nikunj Mehta: First of all, very good commendable performance in terms of how we got back after the unfortunate incident which kind of happened. I have a couple of questions. First is that, one of the pointers which you mentioned is that in the month of December, almost around Rs. 35 crores was the third party procurement which we kind of had in terms of overall sales. Is that correct, that number?

Naveen Gupta: It was roughly Rs. 13 crores to Rs. 15 crores from third party. The total business loss was to the tune of Rs. 30 crores- Rs. 35 crores. This is what I stated.

Nikunj Mehta: Okay. Understood. So, that roughly amounts to from a quarterly sales perspective that roughly amounts to close to 5%. So, how do we see the mix in Q4 from third party in your assessment?

Naveen Gupta: See, our dependency on third party will remain on monthly basis for next two months at least, Rs. 10 crores to Rs. 12 crores per month. But simultaneously business losses will keep reducing because now we will have our Gondal plant is also fixed.

Nikunj Mehta: Understood. fair point to that. And the second question which I had was more with regards to competitive intensity. Now, because of the palm oil prices, I think everyone is facing a lot of challenges. So, just wanted to know that we have reduced the grammage on the Gathiya side, as we have mentioned, that we won't lose further. So, my question was one, that how has the competition reacted to that? Has the competition also reacted to similar kind of grammage increase or they have been more aggressive to take some market share by continuing with the 25 gram kind of a packet?

Naveen Gupta: A few players have reduced grammages, few stopped production and few becomes more aggressive who are more keen to take market share. I mean, there are players who are still ready to burn the money and keen to take market share. So, there is always mix of competition.

Nikunj Mehta: Okay. And in Q4, do you see on the wafer side to be further taking price hike? Because the point which I'm coming to is that we have mentioned that we have taken a weighted average price increase in the larger pack segment. And we are clearly not the market leaders in that segment. And though our pricing discount versus PL would have reduced, if suppose the competition doesn't take the price hike then it will be very difficult for the product to get put into the market. So, what is your sense on that because that is one of the segments which is the fastest growing segment for us.

Naveen Gupta: I just got a poll conducted yesterday by the entire distribution team. We took a price hike in the wafer's Rs. 10 segment which is the highest contributing SKU for us. We took a price hike to the tune of 7% - 8%. So, I got a poll conducted from my distribution team whether it is impacting revenue or not. So, 100% of the people responded there is no negative impact. So, now comes to what competition will do. I will tell you the exact number. Rs. 10 MRP wafers, the leader brand in Gujarat sells at Rs. 8.50. A year back we were selling at Rs. 6.50. So, I took a gradual hike, then I made it Rs. 6.90, then I made it Rs. 7.40. So, currently we are also selling at Rs. 8.50, but now I am supporting through a trade scheme of weighted average, 7-8%. So, versus competition, if one year back the gap was to the tune of 20%-25%, now the gap has reduced to just 7%-8%. So, competition will neither increase the price nor decrease the price from here.

Nikunj Mehta: And it is basically not impacting the sales also is what you kind of see.

Naveen Gupta: No, it's not impacting sales.

Nikunj Mehta: Okay, and last question from my side, because of this disruption and everything, and because I am assuming there will be a bit of increase on the working capital side as well, so have our borrowing increase compared to our September and balance sheet numbers?

Naveen Gupta: So, Nikunj, there has been a marginal utilization of working capital facilities because we had a surplus available with us at the time of fire event taking place. So, there hasn't been much of utilization. Since we are expecting new crop season, there will be a utilization in Q4.

Nikunj Mehta: Okay, understand. That's just from my side. Thank you and all the best. It was very commendable that you guys have come back in terms of the production disruption which has happened and posting a growth in this quarter was a good feat which we have achieved.

Moderator: Thank you. We will take the next question from the line of Abhishek Kumar from Sanctum Wealth. Please go ahead.

Abhishek Kumar: Thanks for the opportunity. So, my first question is on raw materials. So, raw material, I just want to know our main raw material, which is a Palmolive oil, potato, chana dal, so what exactly is the percentage of our total raw material basket? If you could give some rough numbers on that.

Naveen Gupta: You want split of RM?

Abhishek Kumar: Yes, split, sir.

Yash Rajpara: So, Abhishek, out of the entire composition, the palm oil contains 26% roughly, 26% to 28%. And then the second highest consuming ingredient is Channa, which contributes to roughly 20% to 23% of the product composition.

Abhishek Kumar: Okay, got it. And have you seen any, you mentioned that you have some softness in the potato and chana prices in the recent month. So, I just wanted to know, so out of the total, sudden swing in prices across our raw material market, so by now, how much price hikes or grammage cuts in order to cover for that we would have taken?

Yash Rajpara: 6%. You are asking typically about the waterfall, right?

Abhishek Kumar: Yes, the cumulative price highs in order to cover for the incremental cost what all we would have taken up until now and how much will you intend to take say maybe next month or by Q1?

Naveen Gupta: If RM prices impacted us to the tune of 10.8% on total, we passed on to the consumer 5.9% out of that.

Abhishek Kumar: Okay, and the rest you intend to undertake in future months or next year?

Naveen Gupta: Yes.

Abhishek Kumar: Okay, got it. And other set of questions was with respect to our segregation of markets into core and focus. Given that this last quarter got impacted, especially the last month got impacted because of our large-scale facility. Just wanted to know how do we look at the growth rates for core states, which is Gujarat and other focus states on a yearly basis? How is the Company thinking about it? What kind of growth risk we could expect?

Naveen Gupta: Yes, so core state Gujarat definitely once things stabilize, so will continue to grow at a pace of 10% to 12% because whatever corrections we were taking in Gujarat and distribution those are started yielding results and our focus markets will grow at a pace of 25% and the other markets will continue to grow at a pace of 40% to 50%.

Abhishek Kumar: Okay, got it. And given that we are expanding at a good pace now, so what kind of brand building activities and general ATL activities we are thinking of? Because given that our presence has now increased over several states, you have to start investing on that. So, what's the thought process behind that?

Naveen Gupta: Yes, more than earlier, it was like want for us to grow revenue, to come out with aggressive marketing endeavor. Now it will become or rather it has become a need for us because definitely in this period we have lost some market share, some market space to the competition. So, in order to take back that shelf space or market share we will do a full-blown TV commercial somewhere in Q2. More important for us right now is to get back our production to the full scale. Once product availability stabilizes, then we will do a full-blown TV commercial.

Abhishek Kumar: Okay, sir. That's good to know. And then my last question is, again, with respect to focus market. So, we have presence in Maharashtra and UP and these two states being two big states. So, how exactly are the setting there and what is our strength in terms of our touch points in these states and how are we attacking competition also on the ground? If we could just say.

Naveen Gupta: So, we will focus more on Maharashtra because we have a plant in Nagpur. So, that makes more sense to us to have a better distribution depth in a vicinity of 300 to 400 kilometers of our plant. Having said that, UP is a large market with a large population base. Gathiya is a big contributor in UP. Gathiya is not so big contributor in Maharashtra. But since our media campaign will be around our hero product, Gathiya, so definitely we will focus on Gathiya in Maharashtra as well.

Abhishek Kumar: That's it from my side. All the best.

Moderator: Thank you. The next question is from the line of Amit Agicha from HG Hawa. Please go ahead.

Amit Agicha: Good evening, sir. Thank you for the opportunity. So, my question was with respect to the geographic distribution like the presentation says like some North Indian states and some South Indian and East Indian states are not yet covered. Like when does the Company plan to become pan India and are you planning to expand to exports to new markets?

Naveen Gupta: Going northward is going to be a costlier affair for us. So, in short term, our focus is to regain our production facility in mid term to consolidate and regain our market share in core state and focus state. If we intend to go northwards or eastwards, it will be through either through M&A or through some sort of joint venture. In our salty snacks category, until and unless we have multiple plants at multiple locations, it's not wise to go beyond 700, 800 kilometers.

Amit Agicha: So, sir, is the Company planning any mergers or acquisition?

Naveen Gupta: We were contemplating before this fire incident, we were contemplating a couple of small, small acquisitions. Those were not brands. In fact, those were small factories. But now we have stopped thinking as of now because priorities have changed.

Moderator: Thank you. The next question is from the line of Sanjay Dutte, an Individual Investor. Please go ahead.

Sanjay Dutte: Thanks for the opportunity. I have two questions. First question is, last month there was a news item that a dead rat was found in our Namkeen packet, I think in Banaskantha or somewhere in Gujarat. So, what is the status of that?

Naveen Gupta: The case is shut. Actually that consumer and the retailer had some tiff. And you know the consumer in question was six months baby. So, it was all a fabricated story.

Amit Agicha: Okay, because there was no update from the Company with the stock exchanges. Like there was no filing or anything. So, it was just a little confusion.

Naveen Gupta: Yes, we probed the matter and the consumer had bought the product from the retailer. The consumer and the retailer had some personal animosity. So, they were fighting with each other. We unfortunately got into this.

Amit Agicha: Okay. Second question is about the GST notice that you had received for Rs. 12 crore or something. What is the status?

Yash Rajpara: So, Sanjayji, thank you. With reference to the GST notice, the Company is already in the writ petition at the Honorable High Court of Gujarat and the matter is pending at that forum. And it is an industry wide issue.

Amit Agicha: Okay, so that means we are not accounted for it as so far in our accounts, right? It is a contingent liability right now.

Naveen Gupta: Yes, very much.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, I would now like to hand the conference over to the management for closing comments. Over to you, sir.

Yash Rajpara: So, I would like to thank everyone for joining the call. I hope we have been able to respond to all your questions adequately. So, for any further information, we request you to please do get in touch with our Investor Relations team. Stay safe, stay healthy, and thank you once again for joining us. Thank you so much.